

Minutes
North Dakota Public Employees Retirement System
Thursday, June 22, 2000
Fort Totten Room
State Capitol
Bismarck, ND
8:00 A.M.

Members Present: Mr. Joseph Maichel, Chairman
 Mr. Weldee Baetsch
 Mr. David Gunkel
 Mr. Ron Leingang
 Mr. Howard Sage
 Mr. Murray Sagsveen
 Ms. Rosellen Sand

Others Present: Mr. Sparb Collins, Executive Director NDPERS
 Ms. Kim Humann, NDPERS
 Ms. Kathy Allen, NDPERS
 Ms. Deb Knudsen, NDPERS
 Ms. Sharon Schiermeister, NDPERS
 Mr. Bryan Reinhardt, NDPERS
 Mr. Scott Miller, Attorney General's Office
 Mr. Tom Tupa, AFPE & INDSEA
 Ms. Chris Runge, NDPEA
 Mr. Howard Snortland, AFPE
 Ms. Sue Tibiatowski, BCBS
 Mr. Mark Peterson, BCBS
 Mr. Cal Fleischer, VALIC
 Mr. Keith Poch, VALIC
 Mr. Steve Cochrane, RIO
 Ms. Connie Flanagan, RIO
 Mr. Tim Tello, NDOA
 Mr. Richard Ranallo, The Segal Company (Teleconference)

Chairman Maichel called the meeting to order at 8:00 a.m.

MINUTES

Chairman Maichel called for any questions or comments regarding the minutes of the May 18 and May 25 meetings.

MR. GUNKEL MOVED APPROVAL OF THE MINUTES. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

RETIREMENT

Asset Liability Study

Included with the board materials was updated information prepared by Mr. Rich Ranallo, Segal Advisors, reflecting the decisions of the Board from the last meeting regarding the main system asset allocation and retiree health credit program asset allocation. Mr. Ranallo, Segal Advisors, joined the meeting via conference call. Mr. Ranallo provided an overview of the proposed asset allocation model for the main system. Discussion followed.

MR. GUNKEL MOVED TO APPROVE THE PROPOSED ASSET ALLOCATION FOR THE MAIN SYSTEM. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Mr. Ranallo indicated at the last board meeting it was noticed that the contributions were not growing at the appropriate rate for the Retiree Health Insurance Credit Fund. Segal Advisors reran the projected cash flow and funded status for the Retiree Health Insurance Credit Fund to more accurately reflect the growth and contributions at the 8% actuarial rate of return, and the expected 9.5% return on the assets for the next 10 years.

Mr. Ranallo conveyed that a conference call was held with Mr. Collins and Mr. Cochrane on the asset class utilization for the Retiree Health Insurance Credit Fund. Following the conference call, they concluded that the Fund used a significant number of asset classes and provided a diversified portfolio. He indicated that, due to the size of the Fund, there are limitations regarding further diversifying the Fund. This item was informational only and required no action by the Board.

Mr. Sage inquired what the timetable would be to implement the new asset allocation for the main system. Mr. Cochrane, RIO, conveyed the timing worked out well and August 1, 2000 would be targeted for the implementation date.

Segal Contract

Included with the board materials was a revised letter from Leslie Thompson regarding the renewal of the Segal contract for the upcoming year. Segal offered several revisions to their original proposal. Those revisions included a reduction in the proposed fixed fee amount and the hourly rates being reduced. This reduction was accomplished by removing work efforts relating to QDROs and compliance issues from the fixed fee. Segal would continue to assist in these areas, however, it would be on a fee-for-service rate based upon their hourly rate. Staff recommended approval of the revised proposal with the lower fixed fee amounts.

MS. SAND MOVED TO APPROVE THE PROPOSED CONTRACT FOR CONSULTING SERVICES WITH THE SEGAL COMPANY AS STATED IN THEIR JUNE 6, 2000 LETTER. MR. SAGSVEEN SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

DEFERRED COMPENSATION

VALIC

Mr. Cal Fleischer and Mr. Keith Poch, VALIC, appeared before the Board. In response to the letter sent to VALIC, Mr. Poch reported on the corrective actions taken by VALIC for services offered for the Companion Plan. Mr. Poch apologized for the deficiencies and conveyed they will be working closely with PERS staff to ensure the issues do not occur again. Mr. Sage inquired if it would be possible to incorporate year-to-date transaction history on the website. Mr. Poch conveyed he would look into this and report back to the Board. This item was informational only and required no action by the Board

PEP Enrollments

Mr. Collins indicated the PEP program has dramatically increased enrollment in the Deferred Compensation program in its initial months. The next step would be to move into the focused enrollment process, which was approved by the Board last year. Pursuant to this concept, staff would go into specific agencies to hold informational meetings and encourage enrollment. The two agencies which have initially been selected, to begin with this summer, are the Bank of North Dakota and the Information Technology Department. These agencies were selected because of their salary and participation level. If these departments agree to participate, staff would work with them in developing a program tailored to their individual agency. The program will begin with a mailing to all of their employees. This mailing would include a copy of the investment book which would provide the employees with a resource and listing of names they could contact in addition to the Companion Plan provider. This would be followed up with informational meetings. Staff requested the Board's concurrence and approval to involve the Companion Plan Provider (VALIC) in this process. Their involvement would be to assist PERS in the group presentations and to be available for individual meetings with employees who are interested in joining the plan, to advise them on what services the Companion Plan offers, what they should be considering as part of investing, and what would be a good asset allocation. Once the meetings have been completed with these two agencies, staff would select other agencies and continue on until all state agencies and political subdivisions have been met with. Staff viewed this second phase as a long-term approach and that it would be an ongoing effort. Discussion followed. Mr. Collins indicated that staff anticipated notifying the other provider companies that PERS is entering into this program. If the provider company would be interested in providing their company information to the employer group, PERS staff would advise the provider company when they are going to meet with a employer group. The provider companies could send their materials to a local mailing service vendor and PERS would provide the vendor with a list of mailing addresses. The provider companies would be responsible for all costs to participate in the mailing. Mr. Sage conveyed his concern regarding the

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timeframe to complete this process for all state agencies and political subdivisions. Mr. Collins conveyed this would be in addition to what is currently being done. By general consensus, the Board approved the Companion Plan Provider to participate in the informational meetings.

Jackson National

Ms. Knudsen provided an overview of Jackson National issues since the last board meeting. This item was informational only and required no action by the Board.

Great West Life

Ms. Knudsen provided an update on the Great West Life transfers. This item was informational only and required no action by the Board.

GROUP INSURANCE

Plan Design

At the May meeting, staff reviewed a list of benefit differences between BCBS plans and the PERS plan. The Board directed staff to review the list and provide its findings. Included with the board materials was each difference identified by BCBS and staff's review. In summary, staff's analysis indicates the following:

- ◀ A number of the items were considered at the last board meeting and it was decided they would be considered as part of the renewal.
- ◀ Staff recommended items 8, 14, 22, 26, 29 and 30 be considered as part of the contract renewal.

Item #8-NDPERS does not allow for circumcisions. Standard BCBS plans do pay for circumcisions. Staff estimated that the cost of providing this benefit would be 19¢ per contract. Staff recommended that this be considered as part of the renewal. Mr. Sagsveen indicated he is aware of a considerable amount of debate in the health care community regarding routine circumcision. Mr. Sagsveen conveyed he would try to locate this information and provide it to the Board. Chairman Maichel inquired if there had been complaints from members wanting this service provided. Ms. Allen conveyed staff had not received a large amount of calls regarding this service. Discussion followed.

MR. SAGE MOVED NOT TO APPROVE CONSIDERATION OF ALLOWING ROUTINE CIRCUMCISIONS. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: Gunkel

PASSED

Item #14-NDPERS does not cover artificial insemination, gift, tot, etc. BCBS standard benefits include a separate \$500 lifetime deductible, a separate coinsurance amount, and a separate \$20,000 lifetime paid maximum for infertility related services (including drugs). Dr. Rice, BCBS, gave a presentation on this issue to the Board in June 1999. At that time, he recommended that PERS adopt this benefit since BCBS no longer

considered this experimental. Staff recommended that this be considered as part of the renewal on the same basis as other BCBS plans. Ms. Sand indicated she had received a request for this service to be covered. She felt it would be useful to find out the cost of adding this benefit. However, she would also like to see what the likelihood would be of increased multiple births and low birth weights.

Item #22-Relates to copayment, deductible and coinsurance for ER services. BCBS standard benefits waive the deductible for initial accident related claims and applies just the ER copayment and coinsurance (copayment is waived for subsequent related admissions). Staff recommended considering this as part of the renewal and moving to a policy similar to the BCBS standard benefits which provides for waiving the deductible for initial accident related claims; and apply just the ER copayment and coinsurance.

Item #26-NDPERS does not allow routine chicken pox vaccinations. BCBS standard contracts cover chicken pox vaccinations. Staff recommended including this on the list of potential additions to the plan and including it as a item in the renewal.

Item #29-NDPERS does not limit the number of transplants per condition. BCBS standard contracts limit transplants to two per lifetime for the same condition. Staff recommended consideration of this provision as part of the upcoming renewal. Discussion followed.

MR. GUNKEL MOVED TO EXCLUDE CONSIDERATION OF LIMITING THE NUMBER OF TRANSPLANTS PER CONDITION. MS. SAND SECONDED THE MOTION.

Ayes: Gunkel

Nays: Baetsch, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

FAILED

Item #30-NDPERS allows take home drugs to be processed under regular medical benefits. BCBS standard benefits resubmit the take home drugs under the prescription drug card program. Staff recommended that this provision be considered as part of the renewal. This would standardize the PERS plan to that of the BCBS program and treat all prescription drugs in a similar manner.

Smoking Cessation & Weight Management

Included in the board materials was an analysis that GlaxoWellcome provides to employers based upon employer specific data. Staff and the Health Department worked together to submit this information to GlaxoWellcome to have the report prepared. The report reinforces other sources that indicate if a plan is successful in getting someone to quit smoking, it would provide for a long-term savings to the plan. This analysis indicated that a break-even point would be approximately 8 years. Also, included in the board materials was a proposed counseling program for weight management that was submitted by the North Dakota Dietetic Association. The information they provided indicated a benefit in providing health insurance coverage for weight management programs. Staff and the Health Department developed the following concept for smoking cessation and weight management programs:

- That 25¢ for a smoking cessation program, plus 25¢ for a weight management program, be added per contract per month to the group insurance premium. This premium assessment would produce approximately \$130,000 for the 2001-2003 biennium.
- The smoking cessation and weight management benefits would be offered for a six-month period from July 1, 2002 through December 31, 2002.
- If the Legislature approved the programs, beginning in April of 2001 and concluding by late summer of 2001, the specific program designs would be developed and submitted to the Board for approval.
- In the fall of 2001 and into the spring of 2002, PERS would solicit vendors to provide the smoking cessation and weight management services that were approved by the Board. Staff envisioned this vendor process would be similar to that developed for the EAP program. Staff would develop specifications for the program, including a price for the services, and distribute to eligible vendors throughout the State. Vendors meeting the minimum qualifications would be eligible to provide services to members during the six-month period. If the vendor so desired, they could offer more services for the price than required by the minimum specifications, however, they could not offer less service. The goal in this process would be to develop a list of eligible vendors throughout the State for both programs.
- Beginning in the spring of 2002, and being completed by early summer of 2002, an enrollment process would be held for members to enroll in either the smoking cessation or the weight management benefit. The number of people participating in the programs would be limited to the available funds.

Discussion followed. Staff recommended approval of the concepts for smoking cessation and weight management as part of the considerations of the renewal. Final action on this would be this fall, therefore, this action by the Board would provide that these program concepts would be part of the final consideration.

MS. SAND MOVED APPROVAL TO CONSIDER THE SMOKING CESSATION AND WEIGHT MANAGEMENT CONCEPTS PROPOSED BY STAFF. MR. SAGSVEEN SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Renewal

Staff conveyed that they had contacted Deloitte and established tentative dates to begin work on the renewal process. Staff requested the Board establish meeting dates for July

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and August. Discussion followed. By general consensus the Board agreed on July 27, 2000 and August 31, 2000 for the meeting dates.

Chairman Maichel recessed for a break.

CONFIDENTIAL ITEMS

FICA Contributions

Chairman Maichel inquired if the Board would like to go into executive session to discuss litigation strategy.

MR. SAGSVEEN MOVED APPROVAL TO GO INTO EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING LITIGATION STRATEGY. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Chairman Maichel reopened the meeting.

CONFIDENTIAL ITEMS

Financial Hardship Application (FH00-1)

Ms. Knudsen indicated she received additional information from the applicant pertaining to the financial hardship application which was reviewed at the May board meeting. The applicant submitted additional information regarding the home loan restructuring. Discussion followed. By general consensus, the Board requested staff to advise the applicant that divorce itself does not constitute a financial hardship. However, the Board indicated that, if the applicant submitted documentation with the specific medical condition or emergency that would be created if they had to move out of their home, the Board would be open to reconsidering the application. The Board also requested staff to convey to the applicant that an updated Financial Hardship Application would be necessary for the Board to reconsider the request for hardship distribution. This request was made due to the fact that numerous things have changed from the initial application that was submitted.

FlexComp Appeal (FC00-1)

Ms. Allen indicated a participant requested reimbursement of a qualifying medical care expense incurred during the 1999 plan year. The claim was received after the March 31, 2000 deadline to submit claims incurred in 1999. The participant provided a letter outlining the circumstances of why the claim was submitted late. Staff did verify the circumstances with the provider of the services and the BCBS Services Unit.

MS. SAND MOVED APPROVAL TO PAY THE FLEXCOMP CLAIM. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

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Nays: None

PASSED

GROUP INSURANCE

BCBSND Customer Service Survey

BCBS conducted a survey of members who called in to the BCBS Service Unit during the month of February 2000. The survey results were included with the board materials. This item was informational only and required no action by the board.

Other

Mr. Collins conveyed that Mary Sorenson has left employment with BCBS. BCBS is in the process of hiring an individual who will manage the PERS account.

Plan Performance

The May surplus projection and affordability analysis for the NDPERS group medical plan was included with the board materials. This item was informational only and required no action by the Board.

Dental Plan

Included with the board materials was a proposed concept on how to proceed with the next dental renewal. This concept would be to negotiate a renewal rate with ReliaStar, but not hold an open enrollment or allow any new enrollments. Staff also requested an opinion from Mr. Miller, legal counsel. Mr. Miller indicated there is nothing in the Century Code that requires either a dental plan or an annual enrollment. He pointed out there are no Administrative Code provisions addressing the dental plan. The summary plan description mentions an annual enrollment, but does not specifically provide for or promise an annual enrollment. However, the PERS website does indicate there will be an open enrollment in the fall. Mr. Miller conveyed that as long as this statement remains on the PERS website, he would not advise suspending the annual enrollment period. This item was informational only and required no action by the Board.

Life Plan Renewal

At the last meeting discussion was held regarding possible changes to the group life insurance plan which included adding portability to the plan, as well as, a tobacco use provision. At that time the Board requested staff to seek an opinion from Mr. Miller, legal counsel, regarding the Board's ability to consider a tobacco use provision. Included with the board materials was Mr. Miller's response to that request. Mr. Miller conveyed, based on provisions in NDCC chapter 14-02.4, the Human Rights Act, he believed several statutory changes to that chapter would be necessary in order to implement tobacco use rates. Discussion followed.

MR. SAGSVEEN MOVED TO REQUEST THAT LEGAL COUNSEL DRAFT A SEPARATE BILL FOR THE PURPOSE OF HAVING A TWO-TIERED LIFE INSURANCE PLAN. MS. SAND SECONDED THE MOTION.

Ayes: Sagsveen

Nays: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Maichel

FAILED

MISCELLANEOUS

Legislative Employee Benefits Committee

The Legislative Employee Benefits Committee met on May 30. Included with the board materials was a copy of the agenda and a summary of the bills that were discussed. In total, twelve bills have been submitted relating to the PERS retirement or uniform group insurance programs. The next meeting of the Committee is anticipated to take place in late August or September of this year. At that time the Committee will be receiving testimony on each of the bills from interested parties. The bills relating to the PERS plans will now be referred on to The Segal Company for an actuarial evaluation. Mr. Collins indicated that normally when the actuarial effect is determined, a static analysis is done. Mr. Collins pointed out, on the bill that would open up the defined contribution plan to all state employees, a static analysis would not be sufficient. Mr. Collins conveyed he was hoping the model for this would be developed through the asset liability study. He indicated he had requested that The Segal Company compile information on the models by the September meeting. Mr. Collins inquired if the Board thought there might be merit in asking two other firms, Watson Wyatt and Milliman & Robertson, to prepare a concept on how they would model the plan and what that cost may be, for the July meeting. By general consensus, the Board agreed that it would be beneficial to seek proposals from Watson Wyatt and Milliman & Robertson for the defined contribution bill evaluation.

Budget

Ms. Schiermeister pointed out the Governor requested that agencies submit their budgets at the same level as the appropriation for the 1999-2001 biennium. The agency was able to accomplish this for the budget. Ms. Schiermeister reviewed the proposed budget for the 2001-2003 biennium. The budget will be submitted to the Office of Management and Budget (OMB) within the requested deadline. However, the budget guidelines do provide agencies with the opportunity to submit optional funding requests in addition to the base budget request. Staff proposed submitting the proposed budget to OMB and the Board discuss any optional funding requests at the July meeting.

MR. SAGSVEEN MOVED APPROVAL FOR THE SUBMISSION OF THE PROPOSED 2001-2003 BIENNIUM BUDGET. MR. LEINGANG SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

September Meeting Dates

Mr. Collins indicated it may be necessary to hold two meetings in September due to pending health insurance issues. By general consensus the Board agreed to meet on September 7 to discuss health issues and September 21 for the regular monthly meeting.

Upcoming Conference

Mr. Collins indicated the National Association of Government Deferred Compensation Administrators (NAGDCA) annual conference will be held in September. Mr. Leingang expressed interest in attending this conference.

MS. SAND MOVED APPROVAL FOR MR. LEINGANG TO ATTEND THE NAGDCA CONFERENCE. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Executive Director's Annual Evaluation

Mr. Leingang and Mr. Baetsch, Salary Review Committee, conveyed they had worked with Mr. Collins to revise the Executive Director's job description. A copy of the revised job description was distributed. The Committee also made their recommendation for the annual salary adjustment for the Executive Director.

MR. LEINGANG MOVED FOR THE EXECUTIVE DIRECTOR TO RECEIVE A SALARY INCREASE OF 3%, EFFECTIVE JULY 1, 2000, BASED ON MERIT AND AS PROVIDED BY THE LEGISLATURE, AND AN ADDITIONAL 2% ON JANUARY 1, 2001, BASED ON MARKET, AND 3% FOR WORKLOAD ADJUSTMENT SUBJECT TO AVAILABILITY OF FUNDS. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Chairman Maichel indicated his term expires this month. However, he conveyed the Governor has re-appointed him and he has accepted to serve through December 2000.

Chairman Maichel called for any other business or comments. Hearing none, the meeting was adjourned at 11:45 p.m.

Prepared by,

Kim Humann
Administrative Assistant